

December 23, 1959

Investor's Reader

For a better understanding of business news



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**BIG RESEARCH SPURS
ELECTRONICS BOOM IN
SAN FRANCISCO REGION'S
GRACIOUS ATMOSPHERE (see page 1)**





HOLIDAY SPIRITS

Most folks will toast the advent of the Sixties more gregariously than this couple but such cozy celebrations also do much to raise holiday liquor sales to a spirited level. According to the Distilled Spirits Institute fully one-eighth of the 215,000,000 gallons distilled spirits consumed in the US last year was "apparently" tipped in December. This proportion probably is on the low side as it is based on wholesale

volume and most dealers stock up early for the Christmas rush. Some industry experts think as much as 25% of total yearly sales goes under the tree or down the hatch over the holidays.

Total 1959 consumption is expected to be up 5% with no doubt a proportionate increase in holiday volume. As usual, Montreal-headquartered Distillers Corp-Seagrams will fill the most glasses. Its \$731,000,000 sale in the year ended July 1959 gave strong proof of its position as No 1 distiller, far ahead of National Distillers & Chemical (\$556,000,000) and Schenley Industries (\$460,000,000).

Better than 90% of Distillers Corp revenues comes from wholly owned US subsidiary Joseph E Seagram & Sons, producer of Calvert, Four Roses, Seagram's Seven Crown. (Seagram calls Seven Crown the No 1 US best seller which outpaces domestic runner-up—and Seagram bottle-mate Calvert Reserve almost three-to-one.)

Considering its sales predominance the US subsidiary's proportion in the Distillers Corp profits mixture is somewhat watered down (50% in fiscal 1959). However in the quarter ended October, parent Distillers Corp increased net only 8% to \$10,800,000 or \$1.24 a share while subsidiary Seagram & Sons scored a 16% rise to \$7,000,000 or almost two-thirds of the consolidated total.

Both Distillers and its US subsidiary no doubt will show an even bigger boost in results for the second fiscal quarter—sales in November and December are traditionally two-thirds above other months. The companies should be aided by an extra jigger of diversification from small but growing proprietary drug subsidiary Pharma-Craft. It offers Fresh deodorant, Ting athlete's foot ointment; also Coldene cold tablets which may benefit from January post-party colds.

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Electronic El Dorado at the Golden Gate

Growth Climate Attracts Important Industry Complex To San Francisco Bay Region

*Electronics is the Gold Strike of
the 1950s—today's Eureka in the
West—H Myrl Stearns, president of
Varian Associates.*

DISCOVERY of gold at Sutter's Mill in Coloma, El Dorado County, California 111 years ago spurred the most famous westward rush in US history. Not many found gold but the gold-rushed influx of men & money gradually turned San Francisco into a truly Golden Gate, a center of commerce & finance.

The diggers of metallic gold have largely faded into history. But more recently California has been rushed by a far larger host of prospectors who seek their gold in industry—and particularly in such space age enterprises as electronics and aero-(& astro) nautics. The larger portion of these latter-day Forty-niners have

landed in Los Angeles and Southern California where the aircraft industry established its main base during the past quarter century and attracted a constellation of satellites.

But though considerably less publicized, San Francisco and its environs (especially the twixt-Bay-and-Pacific Peninsula of which the city forms the northern tip) have also attracted an ample share of the new science-based industries. No one has exact comparative figures but nowadays the electronic El Dorado built up around San Francisco and the Bay region is believed outranked only by the electronics complexes which surround Greater New York, Los Angeles and Boston.

The San Francisco Chamber of Commerce and the Western Electronics Manufacturers Association counted 144 electronics firms in the San Francisco-Peninsula area as of the end of August—no doubt the total has clicked somewhat higher in

the meantime. This compares with the overall total of 770 electronics in the eleven Western States which in turn account for 18% of all electronics companies in the US. In size the San Francisco-Peninsula outfits apparently rank slightly above average since they employ about 40,000 persons out of the 146,000 who work for the industry in the eleven Western states (19% of the national figure). The Golden Gate firms have a combined sales volume "conservatively estimated at \$439,000,000 for this year—nearly one-fourth of the total for the Western states" which currently runs about \$1.9 billion a year (23% of total US volume).

The Western branch of the industry is expected to grow at the rate of about 14% a year over the next few years—a pace somewhat faster than the national average. However the overall gain of the industry has been mighty fast—it has jumped from 49th place among US manufacturing groups in 1939 to its present No 5 slot right after autos, steel, aircraft and chemicals.

Actually the beginning of the electronics industry in the San Francisco region was also the beginning of the entire US electronics industry—the invention of the audion tube by Dr Lee De Forrest down on the Peninsula at Palo Alto. But the real boost has come during and since War II

with the lightning-fast evolution of both the art and the science of electronics and the build-up of defense research & manufacturing facilities on the West Coast.

Growth Climate. Reasons for the continued expansion of the San Francisco region as an electronic center are as numerous as the firms which have located there. But two themes recur in almost all the answers to the question, "Why here?"—pleasant living conditions and availability of excellent research stimulation from Stanford University on the Peninsula in Palo Alto and the University of California across the Bay in Berkeley.

It was the charm of Northern California life which led to the birth of precision magnetic recording specialist Ampex Corp in Redwood City on the Peninsula. Founder Alexander M Poniatoff, an Imperial Russian air force flier who had escaped the revolution by walking across the steppes, found US refuge working for General Electric. He was sent West on a business trip, liked the area so much he wired back to his office he had decided to stay. Stay he did, working first as a consultant, then founding and developing the fast growing firm which takes its name from his initials plus "ex" for excellence, a "product philosophy of the founder."

Another, oft repeated version of the "we like it here" reason: "It is easy to attract good personnel to this area." As Harold Wood of the San Francisco C-of-C puts it: "Companies involved in electronics work have by & large a highly professional per-

COVER: Typical of the San Francisco Bay Region electronics atmosphere are power tube work at Eitel-McCullough (top and center) and the modern new Hewlett-Packard plant in Stanford Industrial Park (bottom).



Varian Associates R&D group conducts "think" session, Peninsula-style

sonnel. They pay more than the average and as a result their employees want to and can afford to live in a nice place. They like the Peninsula—it offers everything plus proximity to Stanford University."

Stanford and the University of California are perhaps the biggest pluses the area has to offer—for much the same reason MIT and Harvard have made Boston one of the world's big electronics hubs (IR, Feb 6, 1957). As an executive of a Stanford-inspired firm explains: "Companies can't possibly carry on all the basic research in electronics they need to develop new products. This research is being carried on at Stanford and we retain many of their professors on a consulting basis. When something shakes loose, even if it's at night, they come over and help us."

Hewlett-Packard secretary-treasurer Edwin van Bronkhorst puts it even more firmly: "The strong pro-

gram in electronics developed by professor Frederick Terman at Stanford was the biggest single factor in determining the original location of our company."

Corporate Circuitry. The universities—plus the inventions and companies to which they helped give birth—are also a big reason why many national firms have established local outposts in the area. Represented in the San Francisco Bay Region electronics directory are such well-known names as Admiral, General Electric, IBM, IT&T, Lockheed, Philco, Sperry Rand, Sylvania.

Varian Associates treasurer James Donovan judges: "The strength of the region is derived not only from large companies which have come in to establish a branch but also from the companies which start up from scratch, often as a break-off of some people from a bigger company. The complexity of the work being done in electronics is such that it favors

small companies; this complexity slows down the amount of consolidation a big company can effect. Often it is not worth the investment a big company would have to make to develop a specialty of its own. Electronics is not a mass production industry. Products become obsolete before they get to the point where they could be mass produced."

However Hewlett - Packard's van Bronkhorst notes the trend is toward bigger companies in the area—either through migration of branches of nationwide firms or else just through smaller companies growing up. "There are some 70 companies represented in the Palo Alto area alone; they go from 12 employees all the way up to Lockheed's 14,000 unit but now there are fewer with less than 50 employees."

A drive through Palo Alto's Stanford Industrial Park—a 600-acre section adjoining the Stanford campus which has the University for a landlord and Hewlett-Packard, Varian and Lockheed among the tenants—shows busy building of new plants or extensions by large and smaller companies alike.

This type of success story is repeated up & down the Peninsula, across the Bay and even in the heart of San Francisco itself. True, like their gold mining predecessors of a century ago, many hopeful young firms fall by the wayside. Others merge into more powerful units. But a number have successfully grown from small to at least medium size and developed into the type of research-conscious company which gives the San Francisco Bay Region

electronics industry its special flavor.

One industry spokesman pinpoints: "There are no really great differences between the Stanford-oriented electronics firms and those UCLA-oriented ones in the Los Angeles area—expect perhaps with us here pure research is more dominant than in the Los Angeles group." Typical of the R&D emphasis and also typical of the small-company-grown-up are the Peninsula's "Little Big Four" — Ampex, Eitel-McCullough, Hewlett-Packard and Varian Associates.

Ampex Ambition

LARGEST of this quartet is Ampex Corp of Redwood City. Thanks to its entertainment-oriented products which now comprise about 40% of its volume, it is also the one best known to the public.

Ampex was founded in 1944 to design and manufacture small motors used in airborne radar scanning equipment. In 1946 the Company turned to professional magnetic tape recording devices. Ampex leaped to national prominence a year later when it sold a batch of its machines to Bing Crosby so ABC could get a series of pre-recorded programs by Crosby who could thus be free for other pursuits. Ampex vice president & general manager Robert Sackman states this sale and the success of the widely imitated Crosby format "launched the use of magnetic tape recording in the broadcast industry and introduced Ampex in association with the biggest name star, the most popular program and key ABC stations."

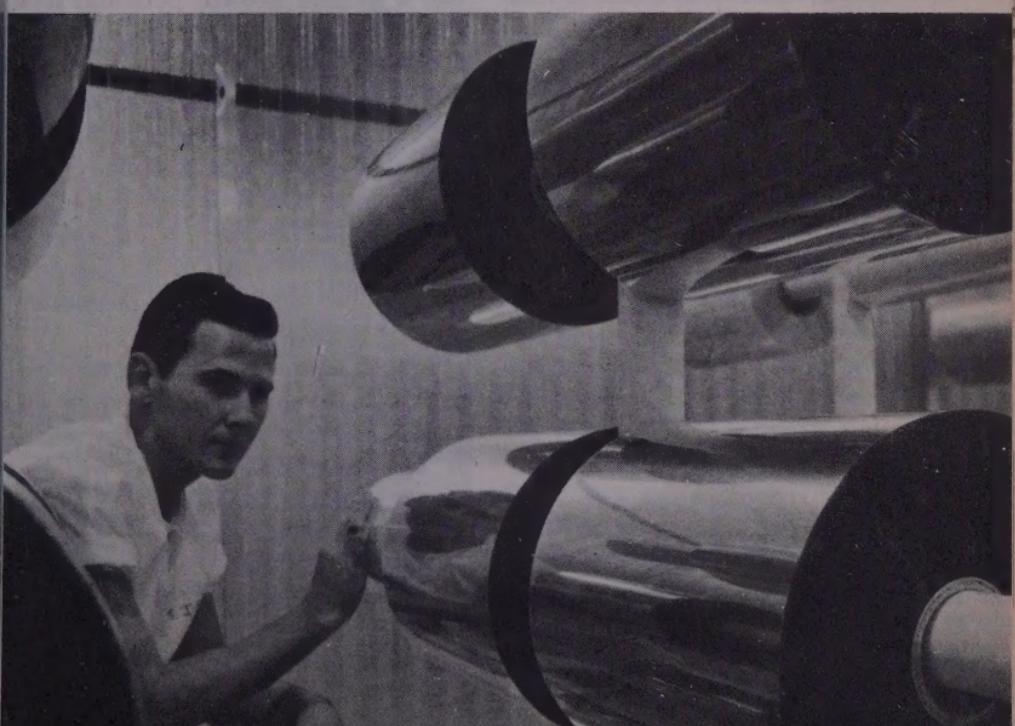
Shortly thereafter, Ampex received a celebrity boost into the record field when Les Paul and Mary Ford bought a machine to make masters superimposing various special effects on the same tape. Bob Sackman notes proudly: "The Ampex magnetic tape recorder practically revolutionized the record industry. Using it to make the master enabled people with relatively small capital to go into the business. On tape, if you make a mistake, you just erase it; on discs, you have to cut the whole thing over again."

When broadcasting went from audio to television, Ampex went with it and developed the revolutionary videotape television recorder which it introduced in 1956. It has already sold over 500 machines (at approximately \$52,000 for a black & white unit, \$75,000 for color) to networks, individual TV

station and program producers both here and abroad. Ampex foresees an expanding market for its videotape products since there are a large number of TV stations still unequipped as well as an increasing demand from producers of TV programs and commercials. For example, Ampex is presently equipping approximately 45 educational TV stations with videotape television recorders — "a significant beach-head in a heretofore under-equipped market."

But the entertainment field proved but one channel for Ampex tape talents. Chronicles Bob Sackman: "We found our audio machines had greater uses; scientific and industrial customers were buying them too." So Ampex developed an instrument-type version of the magnetic tape recorder for a wide range of uses from product testing to med-

Tape rolls being readied for Ampex recorders



ical recording to missilery. These machines can record data far above the range of human hearing, are based on the fact that any physical phenomena which can be reduced to an electrical signal can be placed on magnetic tape.

For instance, Ampex instrumentation equipment for use in the nose cones of missiles can tape record data on acceleration, vibration, fuel flow, missile skin temperature, cosmic particle impact, etc. The tape can store millions of separate batches of information, is then played back to earth and re-recorded on the ground at pickup stations equipped with Ampex instrumentation recorders located along the missile's path. These tapes in turn are spliced together to provide a complete record. Thus the missile can be "re-flown" time and again in the lab.

In addition, Ampex instrumentation recorders are used in connection with aircraft testing and operation, anti-submarine work, medical diagnosis, machine tool programming, etc.

Another rapidly developing field for precision Ampex recorders is in conjunction with electronic computers manufactured by other companies. Reports Bob Sackman: "It's magnetic tape recorders which feed programs or problems or bank account data into the computer and store information when the computer has processed this data." So far the company is making the computer tape recorders for the electronic brain units for General Electric's ERMA (IR, September 30), the National Cash 304, the Philco

Transac and the data processing systems made by Italy's Olivetti, Holland's Phillips of Eindhoven and Britain's Electric & Music Industries (EMI).

So far all these military and commercial instrument applications are in just the audio instrumentation field but even so they bring in roughly half of total Ampex sales compared to 40% for both audio and video recorders for the TV, radio, record and pre-recorded tape industries. The remaining 10% of volume is in high quality—and color—stereophonic home music systems including components for the consumer hi-fi market.

But already in the works is an instrumentation version of the company's Videotape recorder. This new equipment has large scale potential uses in the military, scientific and industrial fields. In Bob Sackman's opinion "the instrumentation field has a greater growth potential now than ever before in Ampex history."

So far most of Ampex's instrumentation recorders are directly or indirectly destined for Uncle Sam (about 45% of total company volume is for Government end-use). Most of this business is on a fixed price basis: "We sell to the Government as we do to other customers for our standard products."

Ampex also has some military research & development contracts on a cost-plus-fixed-fee basis. "In much of our Government work we are learning things which may have future applications and proprietary products for Ampex. Whatever we do, we are dealing in the frontiers

of the magnetic recording industry."

The company recently set up subsidiary Ampex Military Products Company in which to centralize its cost-plus Government work. Bob Sackman explains: "The volume of Government-sponsored research was getting higher in dollar volume, although not in terms of percentage, of our total sales. We thought it needed a separate subsidiary to handle it."

On its own, Ampex will spend a fat 8% of sales or \$5,000,000 on research work this year. These growth-aimed expenditures plus the mushrooming market for its products have enabled Ampex to tape a pattern of nearly 50% annual sales gains. For instance in the fiscal year ended April sales totaled \$43,800,000 v \$30,100,000 in 1957/8 while net advanced to \$2,850,000 or \$1.29 a share from \$1,540,000 (84¢). For 1959/60 Ampex president George Long looks for sales of \$65,000,000 and earnings of around \$4,300,000 or about \$1.80 a share. (These include about \$5,000,000 in sales and \$300,000 in income from magnetic tape maker Orr Industries, acquired in October.) He adds: "A year and a half ago I said we'd best the \$100,000,000 mark in five years. Now I'd say we will get there sooner — but how much sooner I don't know."

Hewlett-Packard Hopes

SECOND in terms of volume is Hewlett-Packard Company of Palo Alto, a strictly scientific outfit quite typical of the Stanford-influenced electronics set. Founders

Bill Hewlett and Dave Packard received their Stanford AB degrees in 1934. After graduation they continued experimenting and inventing with the encouragement of professor Frederick Terman, dean of the university's Electrical Engineering School. A few early gadgets: an electronic device for tuning harmonicas, a foul indicator for bowling alleys, an electric shock weight reducing machine.

Five years later they made their first big sale, nine Hewlett-invented resistance-tuned oscillators for Walt Disney Studios for work on the early stereophonic sound movie *Fantasia*. On the basis of this sale Hewlett-Packard was formally organized with shop & laboratory set up in an old garage.

Today Hewlett-Packard is the world's largest electronics instrument maker with over 350 different products carrying its "hp" symbol. The garage has been replaced by two modern facilities totaling 346,000 square feet. They reflect the California atmosphere both in spacious recreation areas and manufacturing layout. Another 170,000 square feet of manufacturing space plus 50,000 square feet of underground warehouse area will be added to these facilities by early 1960. In addition the company is negotiating for acquisition of land in Loveland, Colo to build a 60,000 square foot plant.

The wide product roster falls into four general categories: 1) microwave equipment; 2) audio-video devices; 3) electronic counters and frequency measures; 4) oscillo-



Rapid wiring at Hewlett-Packard

scopes. In addition, the Dymec division does a better than \$3,000,000 a year business in data handling systems and simulators for missile and wind tunnel work.

Hewlett-Packard sells its varied instrument line mainly to electrical machinery, electronics and aircraft manufacturers but also has a number of customers in the controls and computer fields and among research organizations and universities. Direct military sales plus important orders from such agencies as the National Bureau of Standards, the AEC and the Federal Aviation Agency bring total Government business to 20% of volume.

Hewlett-Packard has budgeted an average of 7% of sales for research in the past few years. Treasurer Ed van Bronkhorst stresses: "Of this 99% is in company-sponsored work." Result of the Hewlett-Packard research effort is a constant

flow of new products. "Over 50% of 1958 sales came from products introduced in 1954 or later." Ed van Bronkhorst allows: "At first, costs are higher on new products but we try to achieve a margin of 20% before taxes and profit sharing."

As a result of heavy research and introduction expenses, Hewlett net eased somewhat in the fiscal year ended October 1958—to \$2,210,000 (72¢ a share) from \$2,400,000 (79¢) the year before—although sales advanced to \$30,300,000 from \$27,900,000. However treasurer van Bronkhorst indicates the income statement for the year just ended should show a rebound to over \$1 a share on sales of over \$48,000,000. For 1960 the company projects sales of about \$60,000,000 with "normal profit margins maintained."

Varian Variety

ANOTHER Palo Alto company is Varian Associates which was founded by Russell & Sigurd Varian and a group of associates in 1948. Nine years earlier the Varian brothers (chairman Russell died this Summer, Sigurd is still a director) had developed the klystron tube, an electron tube which operates in the microwave frequency range, in a basement lab at Stanford University.

For the first two years of its life, Varian Associates operated principally as a research & development outfit and today it is still one of the most "think" emphasizing firms in the area with about 30% of its effort devoted to R&D work. In addi-

tion to its own research Varian carries on research and engineering under contract for the Government and commercial customers. Explains treasurer James Donovan: "Most of the customer-sponsored programs are directed toward development of prototypes."

Varian's outside R&D work runs around \$4,000,000 while the company itself currently spends about \$2,000,000. These outside R&D contracts are on a cost-plus-fixed-fee basis and bring in "a small profit, a maximum of 5-to-7% before taxes." However they often result in production work. "If the system for which we design the prototype is successful, we not only get useful know-how, we often also get the production contract."

In manufacturing Varian's principal product is the klystron tube. Jim Donovan reports: "We make the world's largest klystron tube, over eleven feet long, and the world's smallest, slightly over one inch long." More important, "we sell more klystron tubes in terms of dollar volume than any other manufacturer." All told microwave tubes accounted for 75% of total volume in the year ended September 1959. This includes operations of Varian subsidiary Bomac Laboratories of Beverly, Mass. Acquired early in 1959, Bomac is an \$11,000,000-a-year producer of magnetron and gas switching tubes.

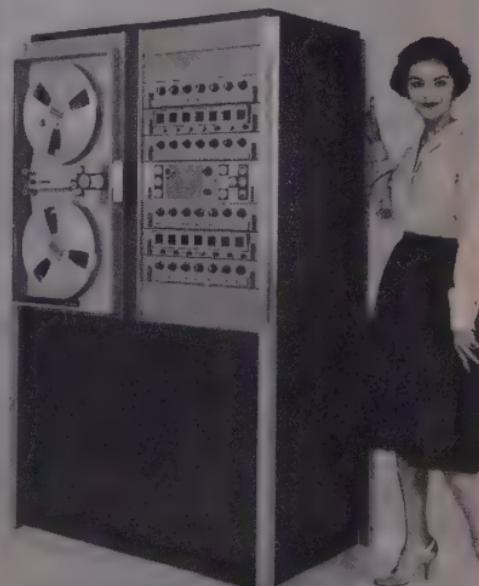
About 20% of the company's fiscal 1959 volume came from the Instrument division which makes spectrometers, electromagnet systems, graphic recorders and magnetom-

eters. A version of the latter was included in the instrument package of the Vanguard III satellite launched in September. The unit is still transmitting data on magnetic fields of the earth in the upper atmosphere.

Almost two-thirds of total Varian billings go either directly or indirectly for Government use although direct orders from Uncle Sam total only 10% of sales. Varian works mostly on components for systems but "since our products go into almost every weapons system as well as communications links and many non-military applications, the company's interests are well diversified. This diversification was a factor in our good showing in 1959."

Varian reported sales of \$38,100,000 for the year ended September compared to \$29,000,000 (including Bomac operations) in fiscal 1958. Earnings jumped to \$2,518,000 or 81¢ a share from \$1,500,000

Amplex tape talents



or 48¢. This fiscal year Varian looks for sales of over \$50,000,000 and "expects to maintain our profit margins." And to assure continued growth, it has accelerated its spending for company-sponsored R&D programs—the 1960 budget of \$2,000,000 is almost double that of last year.

Eitel-McCullough Energy

FOURTH of the Little Big Four is Eitel-McCullough Inc. It was founded in San Bruno in 1934 when William Eitel and Jack McCullough decided to set up their own tube operation because their employer was not interested in their ideas for special tubes for ham radio sets.

Today Eimac "is the world's largest producer of transmitting tubes," puts out over 100 different tube varieties in the triode, tetrode and klystron family. According to executive vice president Gould Hunter, "the heart of our business is in negative grid and klystron tubes and we also do a nice bit of sales in circuits, sockets, etc to go with the tubes. For every dollar of power tube sales there is 15¢ worth of volume in these other components."

In the klystron business, Eimac closely rivals neighbor Varian, prides itself on the fact it was "the first company to make super-power tubes on a production basis." Emphasis at Eimac is on large tubes—"they can run as long as ten feet and cost as much as \$25,000 a piece"—and its giant products have been used in the devices which made possible the Navy's Moon Bounce and MIT's Venus Signal Bounce. It also

has large big-tube orders for the SAGE system and the NATO microwave communications network.

Currently about 65% of Eimac business is in either direct or indirect Government sales: "Original equipment orders usually are indirect while replacement business is direct." Commercial orders for power tubes come from radio & TV stations, ham radio set makers and manufacturers of industrial processing and taxi radio systems. The backlog, which is more than half Government-intended, totaled \$14,000,000 as of August 31 compared to but \$9,700,000 on June 30.

Last year earnings dropped sharply to \$213,000 or 13¢ a share from \$736,000 or 45¢ (adjusted for the 100% stock dividend in August) although sales were slightly ahead —\$16,200,000 v \$15,800,000. Gould Hunter explains: "We were hit by the 1958 recession and then it ended too suddenly—just as we were in the midst of moving into our new San Carlos plant and were delayed in upping production to meet renewed demand."

The new plant (which now also houses the head office) substantially adds to manufacturing space. All told Eimac's four major facilities provided 425,000 square feet of manufacturing area but they are "growing so fast you can't keep track of the numbers."

With both moving and recession problems behind it, Eimac bounced back in the first half of this year. Sales jumped 65% to \$12,000,000 while net income moved into the black with \$744,000 or 45¢ a share

against the 1958 first half deficit of \$14,000.

For the full year Gould Hunter expects sales of \$26-to-\$27,000,000 and "a continuation of earnings improvement." He adds: "One of the reasons business is good this year is growth in high powered klystron business which is less competitive than the established negative grid tube business. These increased klystron sales result from years of Eimac development efforts. In this industry everything is obsolete by the time you get it into production."

The High Price of Earnings

THREAT of product obsolescence and other uncertainties spark little hesitation among stockholders who have enthusiastically bid up many electronics shares into the price-earnings stratosphere (see page 12). The stocks of the San Francisco Little Big Four are no exception.

- Ampex shares, which moved East to the Big Board in January 1959 have vaulted from a low of 61 early this year to a recent high of 137, now trade at 116 or a heady 64 times expected 1959/60 earnings. They will be split 3-for-1 next month.

- Hewlett-Packard (most of whose 3,100,000 shares are still closely held) has trebled from its 1957 offering price of 16 to a recent high of 50 in the over-the-counter market, over 40 times earnings.

- The 3,120,000 Varian shares which joined neighbor Ampex on the Big Board in September currently trade around 45½, somewhat below their alltime high of 53. To-



McCullough, Eitel and Eimac tubes

day's level is more than double this year's over-the-counter low, six times that of 1957 and ten times 1955. Looked at another way, it is 55 times 1959 earnings.

- The 1,650,000 Eimac shares now trade over-the-counter at 29½, more than double since early this year and almost nine times the 1954 low.

Like most of their fellows, none of this quartet pays cash dividends, all expect to continue to plow back earnings for the foreseeable future. But of course, in this lusty industry stockholders have clearly placed a low priority on dividends.

Top Ten Business News Events of 1959

Ballot counting basis: five points, first choice; four points, second choice; etc

		Number of First Choice Votes	Total Number of Mentions	Vote: Total Count
1	The longest steel strike in history	83	117	527
2	Tight money brings high bond yields and even higher short-term interest rates	19	112	420
3	The Big Three takes to the compact car while the Little Two's stocks take to the air	1	95	239
4	The "Space Cadet" stocks jump over the moon but Uncle Sam's space program has trouble getting off the ground	2	60	132
5	The postwar foreign trade trend reversed; the US experiences a gold drain as competition by booming foreign industries troubles US producers	2	38	83
6	The tremendous vigor of the US economy which easily shook off last year's recession and has maintained a high rate despite steel strike, export gap and other hindrances	6	22	65
7	Continued strength in the majority of stocks with the averages soaring to new highs during the year	5	21	53
8	The Federal Reserve's attempts to limit stock market credit by new and tighter margin rules	—	16	39
9	New regulations by new foreign governments which severely curtail operations or profits of US-owned companies	—	11	20
10	The District Court decision in the anti-trust case which avoids forced sale of GM stock by duPont	—	8	18

WITH NEAR UNANIMITY, managers of the 129 Merrill Lynch offices from Geneva to San Diego voted the steel strike the most important business news development of 1959. All but one of the ballots received in the ninth annual INVESTOR'S READER poll cited the steel strike and its many ramifications; all told, the event received 527 out of a possible 590 vote-points.

As usual, the top events turned out to be separate yet irretrievably inter-related developments. For instance, steel had a big impact on the state of

the economy, both before, during and—no one doubts—after the strike. Furthermore, one reason for steel management's determined stand is its worry about foreign competition—a point which in a somewhat different direction has also been driven home to the large automakers.

Impact of imports has also given extra push to the fight against inflation (again a major steel issue) and strengthened policies toward tighter money and rising interest rates.

Money problems and the empl on budget limitations also pla

role in the lag of the US space effort—though this has not deterred stock market enthusiasm for issues with “space potential.” In some respects, this again is tied to inflation or the fear of it—as a hedge, many investors look for stocks with long-range glamor.

Fear of inflation is of course an even bigger factor in the overall stock market rise. But so is the general vigor of the economy and the confident belief that good earnings lie ahead next year, buttressed in many cases by business postponed during the steel strike—which brings us round full circle.

But if tradition is followed by this pattern of interrelation, another aspect of the poll pinpoints a switch from the past. Many observers, including eminent economic columnist Sylvia Porter, have stated this year's top business developments stand out more clearly than usual from among the reams of economic news.

Certainly voting in the current Merrill Lynch poll was by far the most concentrated since IR undertook this pioneering survey. In addition to steel, both tight money and compact cars (picked as the No 2 & 3 events this year) were named on more ballots than the top choice last year (tight money—that perennial key event of the Fifties—had led the 1958 parade with 94 mentions). Also while in the past votes were usually scattered among three dozen events or more, this time the ballotters came up with only a handful of also-rans.

Steel Strike. In any case, this year's first choice could occasion

little surprise. Not only did the event itself thoroughly dominate news during the second half but actually the steel strike influenced the entire year with the big build-up of inventories and other pre-strike moves accenting the tremendous business boom of the first half. Now the far-longer-than-expected strike has blocked the economy from yet loftier highs in the latter part of the year but the pent-up demand will inevitably extend its effects through much of 1960.

The strike also made top news by bringing the first (and successful) court test of Taft-Hartley's injunction provisions; it also brought widespread acknowledgment of the need for additional weapons to resolve bitter labor stalemates (the need would be critical if the strike resumes in late January).

The eventual settlement terms will have a wide effect on other labor negotiations and on the economy at large. An inflationary settlement could launch another dangerous ride on the wage-price spiral. But of course there is little agreement on what is “inflationary.” The boosts granted by some smaller steel makers, the big can companies and some other related industries appear fairly moderate by postwar standards though perhaps higher than the steel leaders care to concede. But while the spotlight was on steel, many labor agreements settled at local levels, particularly in the building trades, were signed with the customary lush increases.

Tight Money. The “tight money” so noticeable in 1958 became even

tighter in 1959 with loan demand from virtually every type of borrower at record levels and the Federal Reserve reluctant to "create" new credit sufficient to match this demand. The well-known reason: such an increase would spur inflation—"more money chasing the same amount of goods and services." As a result, the Treasury's own 91-day bills command a record high interest of 4.638% *v* 2.805% a year ago while top-quality corporate bonds yield 4.69% (*v* 4.18% last year), the highest since the early Twenties.

Actually, long-term funds are in somewhat less demand than short-terms, bringing an unusual phenomenon; short-term Treasuries currently yield more than long-term Governments (about 4 1/4%). In part because capital expenditures are still well below the record levels of 1957, in part because they are unwilling to commit themselves to prevailing high interest rates, corporate bond flotations in the first eight months this year dropped to \$4.6 billion from \$6.8 billion (while common stock financing increased). Meantime the Government was blocked from the long-term market since Congress refused to remove a 4 1/4% limitation on interest which may be paid on Federal bonds maturing in five years or more. So the Treasury brought out the "Magic Fives," 5% notes due in just under five years. The notes attracted a fabulous response from small investors, many of whom withdrew large sums from savings institutions.

Compact Cars. After watching first European and then US-manufac-

tured smaller cars score steady gains even when regular US car sales slumped, the Big Three of motordom came out with their compact cars this Fall. Initial response has been good though steel shortages have hampered full market tests.

Meantime the common stocks of American Motors (whose well-entrenched Rambler hopes to finish this year as the No 3 car) and Studebaker-Packard (whose Lark managed a year's headstart over the Big



Three's compacts) have become the two most active securities on the Big Board with repeated wide price swings. American Motors (due soon to split 3-for-1) shot up from 25 to 96 this year, is now at 78, while Studebaker-Packard (which earned its first profit in five years) rose from 10 to 29, is now 21.

Space Stocks. As a group, however, easily the biggest speculative favorites in this highly selective market have been the science and electronic stocks. The prices of many have tripled or more within the year to reach levels as high as 40 times earnings. Few pay dividends (especially in cash); those which do often yield 1% or even less. The soaring group includes not only a host of newcomers (promising and otherwise) but such established companies with glamor products as IBM and Minneapolis-Honeywell. Even heavily diversified but space-active GE sells

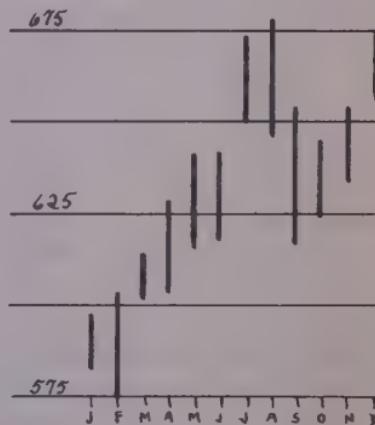
at over 30 times earnings. Also included of course are such "munitions makers of the space age" as Thiokol and Aerojet-General.

But while stocks based on technological developments boom, the US pace program lags and Russian achievements dominate world news. Divided authority and inter-service quabbles cause some delays. But a big reason is limited priority for the US effort, largely for budgetary reasons. The budget is also responsible for sharp cutbacks in aircraft and missile hardware—and the lackluster performance of most aircraft stocks.

Foreign Competition. After a long and costly effort to put the Free World back on its economic feet, the US is with some confusion witnessing the results of its success. There is a world-wide boom, especially in Europe, and many foreign manufacturers are invading American markets. While US commercial exports have declined a fraction, imports are running 20% ahead of last year. Consequently exports are now barely a billion-a-year ahead of imports compared with a \$3½ billion surplus last year and \$6½ billion in 1957. What with other outlays abroad, the US is currently running a \$4 billion-a-year deficit in international payments. Part of the export lag stems from the US recession of 1957-58 and lately the trend has improved. And much of the outflow of funds represents foreign investments by US companies (which should yield increasing returns) along with tourist spending, foreign aid, etc. Meantime efforts to ease restrictions on US goods abroad are progressing;

so are attempts to have other well-off lands aid underdeveloped areas.

Economic Boom. The unparalleled prosperity and activity which prevailed in the first half was checked by the steel strike but surprisingly little cut back, especially in consumer income and spending. The full-year totals will show impressive records in almost every category, including Gross National Product around \$480 billion (*v* \$442 billion in the past two years), industrial production around 150 *v* 134 in 1958 and 143 in 1957.



Bull Market. "Selectivity" was pronounced in the stock market but, as measured by the Dow-Jones industrials, the general bull market which started in February 1958 continued with great vigor most of this year. After soaring from 437 to 583 last year, the industrials added almost another 100 points in the first eight months of 1959 (see chart), retreated to 616 in September but by press time had climbed back to within a few points of August's 678 all-time peak.

BUSINESS AT WORK

MANUFACTURING

Toy Parade

MINIATURIZATION may be a vast new field to the electronics industry but it is old stuff to the nation's 2,000-odd toymakers who expect to do a \$1.7 billion business this year by scaling the world down to Lilliputian levels. All kinds of toys—everything from new-fangled moon rockets complete with astronauts to perennial-favorite model trains—will be under the Christmas tree this week in greater numbers than ever. Since 1951 toy shipments have increased 90%, almost twice the rate of personal consumption expenditures. US parents are not only having more children, they are apparently becoming more indulgent as per capita income rises.

One of the most popular items this year is a 36" doll, made by big plastics user Ideal Toy Corp. The size of a three-year-old child, she can wear her owner's clothes. Out on the West Coast Revell, Inc is doing a sizable business in hobby kits and do-it-yourself toys. "The hottest items we have for pure enthusiasm," according to a Revell spokesman are snap-together plastic animals designed by children's book author Dr Seuss (see picture) and manufactured with W R Grace's Grex polyethylene.

Although most items come from small to medium-sized independent companies, many manufacturers cashing in on this boom are not just toymakers. To them playthings are only by-products; nowadays plastics, rubber, paper, brush and furniture

companies can roll balls and dolls off their assembly lines as easily as tire or chairs.

For instance, American Law Mower of Muncie, Ind makes juvenile blackboards; children's book publisher Saalfield in Akron put puzzles together. Even baby feeders Gerber Products has a plastics subsidiary which makes infants' cribs. Other well known names such as Firestone, US Rubber, Botany Mills, Mirro Aluminum, Eastman Kodak and cosmeticians Charles of the Ritz and Max Factor also have a hand in filling Santa's pack.

On American Machine & Foundry's diversified paths ride bicycles wagons, Voit athletic balls and swimming gear. Model train maker Lionel is getting more sporty; already a producer of fishing tackle it recently added baseball gloves to its toy box. On the next track A C Gilbert runs American Flyer trains, has long been purveyor to young scientists with Erector and chemistry sets. This year it is right up to date with an Electronic electronic building kit.

This timeliness is characteristic of the toy industry which can have a funny-paper character on the shelf almost before the strip is syndicated or launch miniature sputniks while the real things are barely in orbit. Companies often find a bonanza in fads but as often interest dies before many followers realize profits.

By & large it is the old standbys—dolls, stuffed animals and the like—which bring in year-to-year vol-

ume. But even their demand is highly cyclical. According to Toy Manufacturers of the USA, a whopping 70% of retail toy sales occur in the short month between Thanksgiving and Christmas. This seasonal swing is one reason for troubles in toyland.

In recent years profit margins have been declining almost as rapidly as sales have been picking up.

In 1956 the industry margin was 2.9% v 5.2% for all US manufacturing corporations. The following year it narrowed to 2.3% and in 1958 was an alarming 1.7%. This year it may be even lower. Meantime the average manufacturing return for US industry in general dipped during the recession but bounced back to 5.5% in the second quarter of 1959.

Trade magazine *Toys & Novelties* editor Cy Bernstein explains the trouble: "It's the cost of distribution. While retail cost has barely moved in the last ten years and manufacturing costs are not that much higher, the cost of distribution is way up." Other industry observers blame greater competition both from the growing number of domestic producers (and discount house selling) and imports. Japan still leads in the last category, bringing in 75% of all foreign toys. Germany runs second, accounting for about 12%.

But toy king Louis Marx, president of No 1 toymaker Louis Marx Inc, has a franker answer: "Too



Author Dr Seuss & friends

many toys." From his Fifth Avenue office last week the outspoken czar stated: "Manufacturers are over produced (it's like the textile industry) to the point where net return is practically nil."

FOOD

Nabisco Goodies

AS CHRISTMAS EVE approaches A visions of sugar plums are not dancing in the heads of the headmen over at National Biscuit Company but those of a wide assortment of other goodies are. For over sixty years Nabisco, as it is familiarly known, has been baking crackers and cookies for snack-happy citizens.

Actually the company's modern history dates back to 1946 when a \$181,000,000 expansion program (paid for entirely out of retained earnings) got underway. Obsolete plants were sold and domestic cracker and cookie production was concentrated in ten modern bakeries. In 1954 came three Nabisco acquisitions which president George Henry



Packaging gets cold-tested

Coppers described as "aimed at strengthening our future position by further diversifying our line of food products."

The three packages: Ranger Joe Inc swelled the company's cereal bowl (Shredded Wheat, Rice Honey) which now holds 5% of total volume; Dromedary fruits and cake mixes were added to the menu with the purchase of Hill Brothers while Schooley & Son brought in a dog-meal plant (though no product has been marketed). But Nabisco has long been in the pet food business with dog biscuits Milk-Bone and Pal.

Early this year the company made another acquisition. It bought Matthew-Wells Company Ltd., Ontario maker of pickles, olives and jellies.

However Nabisco's two big staples are cookies and crackers in which the company claims two-fifths of the total US market. Baked under the

familiar Ritz, Premium, Oreo, Fig Newton, Lorna Doone and of course Nabisco labels, they account for 78% of the company's volume. Some of this Nabisco dough comes from ovens in Canada, Britain, Mexico and Venezuela which now contribute 13% of company sales & earnings.

Constantly coming up with new recipes, Nabisco this year introduced Vegetable Thins and Salt Tangs. Senior vp George Mitchell reports "they are selling very well."

So are most Nabisco products for finance man Mitchell reports full-year sales should be a record \$430,000,000 with earnings also at an alltime high of \$3.45-to-3.50 a share. This compares to the previous record of \$424,500,000 in 1957 and the \$413,000,000 of last year when the recession took a big bite out of volume. Earnings for both 1957 and 1958 were \$22,000,000 or \$3.18 a share.

Apparently directors think next year will be even better. At the October meeting they declared a 30¢ year-end extra dividend and upped the regular payout a dime to 60¢ quarterly.

RETAIL TRADE Lerner Lifts Profits

IN RECENT YEARS \$65,000,000 assets Lerner Stores Corp has, like other merchants, followed its customers to suburbia and its shopping centers. But despite this suburban emphasis the company itself remained a New York native.

About two years hence however, Lerner will leave its present headquarters on Manhattan's East 26th

street which has "the flavor and obsolescence of the Twenties" and become a suburbanite too. President Harold M Lane states: "A horizontal two-or-three story building in nearby New Jersey [the exact site is as yet undecided] will be a big improvement for Lerner's main executive, buying and distributing operations."

The 41-year-old company operates nation-wide chain of 282 Lerner retail shops which specialize in women's and children's apparel in the "popular price" field. It also has two Lane stores in the New York area which are clothing supermarkets with a "sizable line of hard goods which enable us to compete with the discount houses."

In 1959 Lerner furthered its drive for more volume by addition of 16 new stores (all in shopping centers) while it dropped three outmoded shops.

Another 1959 Lerner addition was Joseph L Eckhouse, former executive head of Gimbel-New York. He joined the company in October as vice president "to participate with top management in the operation of the Lerner chain and help in the execution of the company's expansion plans."

These plans call for the addition of 20-to-25 new Lerner suburban stores in 1960 as well as the remodeling of many existing shops under the company's yearly updating program. Lerner will also open a new Lane store in the Green Acres shopping center at Valley Stream, LI in time for "the Easter buying spree." The new unit will be Lerner's largest. Along with regular women's and

children's apparel, the Green Acres unit will offer a complete line of men's wear and an expanded line of hard goods.

Next year will also kick off Lerner's first overseas venture—a chain of six stores in Puerto Rico. Merchant Lane hopes "at least two of these shops in San Juan will be underway in the new year."

Extension of an older project is also slated for 1960. Lerner hopes to expand its credit services (first begun in 1951). Customer credit plans are now in operation at 216 Lerner stores. "Lerner charges for customer credit," president Lane explains, "only if payment is not made within 30 days." Charge sales now account for about 15% of volume but Harold Lane feels cash sales "will still remain of prime importance."

All told president Lane expects

Lane opens Lerner Palm Beach shop



total 1959 sales will "exceed my earlier estimate of \$190,000,000." He notes: "The steel strike did affect our stores in industrial areas but it has been an in & out situation. The impact on the whole has not been great."

However he admits a somewhat disappointing factor "has been the unseasonably warm Fall weather throughout the country which cut back on sales." But despite weather and steel, merchant Lane expects "record sales for December." As for next year: "If the Lane store at Green Acres opens on time and most of our scheduled new shops get underway when expected, in 1960 our sales should reach \$210,000,000."

This year Lerner will also be able to ring up a nice profits increase. President Lane figures 1959 earnings will "hold comfortably around \$2.50 a share." This will more than restore the 1958 profits drop to \$1,980,000 or \$1.54 a share from \$2,720,000 or \$2.15 in 1957 caused by unseasonable weather and recession-prompted slowdowns in industrial areas in the first half of 1958.

However it does not match the record profits level of \$5,900,000 in 1949. But although Lerner's profit margins have been somewhat modest "management expects them to increase as various expansion plans progress."

Meanwhile common dividends remain plump. Based on the \$1.20 annual rate, the 1,200,000 shares of Lerner common yield 5% at the current Big Board price of 24, up five points from earlier this year.

UTILITIES

Mississippi River View

LATE last month natural gas pipe liner Mississippi River Fuel Corp added vice president Raymond V Terry to the board of Missouri Pacific Railroad Company. He joined Mississippi River Fuel chairman William G Marbury who was elected to the carrier's board in 1958 and became a member of the executive committee in July. The reason: since 1958 Mississippi River (Big Board ticker symbol: MIS) has purchased 240,000 or about 13% of Mopac common and, although Bill Marbury notes "we aren't buying aggressively now," MIS is authorized by its board to increase its holdings to 300,000 shares.

MIS cash for its investment comes from two sources. In May the company sold its 58,000 share interest in Missouri Portland Cement at a net profit of \$1,600,000. Two months later it sold a petrochemical plant in Selma, Mo (built at a cost of \$16,000,000) to Armour & Company for an undisclosed "small profit."

Chairman Marbury thinks its new investment is a good one. First off the carrier is in a "good territory." It serves the fast-growing Gulf Coast and Middle West. Secondly it has "some good property" which could prove especially beneficial to MIS if gas & oil reserves are discovered. Another possibility: natural gas pipelines through the railroad's right-of-way.

At the moment MIS has 1,500 miles of pipeline which extends northward from its Louisiana and Texas fields through Arkansas, Mis-

souri, Illinois and terminate in St Louis. Biggest customer is Laclede Gas Company of St Louis but the company also sells to a half dozen other utilities and about 60 industrial buyers including Granite City Steel (see page 23) and National Lead.

MIS has put a temporary stopper on active expansion of its pipeline operations due to the rate regulation woes faced by the entire natural gas industry. President Glenn W Clark elaborates: "Back in the early Forties we were allowed from 6-to-6½% on a depreciated original cost rate base which at that time had some general relationship to actual value. In the years since, we have witnessed a creeping and withering inflationary process. We have seen jurisdictional earnings of pipeline companies which simply have not and do not maintain the integrity of the dollars invested in them by equity holders. We have watched interest rates on debt money rise from 2½-or-3% to 5½%. However to this date we have seen no change in the rules under which we must live under Federal Power Commission regulation."

A few examples of MIS rate woes: it currently has a rate case slated for hearing next month. The increase "has amounted to a little more than \$4,000,000 for the twelve month period ended October 1," has been collected under bond ever since November 1958. On the other side of the coin MIS has paid approximately \$14,000,000 in five rate increases since the fall of 1956 to its main supplier, United Gas. These incre-

ments are also under bond and only two have been heard by the FPC.

Also MIS drilling subsidiary Natural Gas & Oil sells its parent as well as other pipeline companies "substantial quantities of gas at a price which is less than it will cost to replace it." As yet the FPC has not approved a price on this gas.

Because of such uncertainties president Clark admits "we cannot tell you just what our actual earnings will be." However under the present setup the company figures it will earn a record \$2.75 a share this year (including 46¢ from non-recurring capital gains) compared with \$1.96 in 1958 and the previous peak of \$2.33 tallied in 1956.

For 1960 MIS predicts approximately 20¢ more in ordinary profits or \$2.50 a share. Part of the rise will come from Mopac's generous \$2.40 annual dividend. The natural gas business is also expected to continue with steady gains. Meantime MIS has another profitable business in subsidiary Milwhite Mud Sales Company which makes oil drilling supplies. And not to be discounted Mississippi has a growing part in the oil industry, last year produced 4,200 barrels of oil and distillate a day.

In the past five years the MIS dividends have averaged slightly more than 70% of earnings. But the present handout of \$1.60 comes to less than 65% of anticipated 1960 profits so some Wall Streeters speculate the dividend may soon be liberalized. At any rate the 3,600,000 shares which sell around 34 now provide a liberal yield of 4.7%.

CONSTRUCTION

Lock Joint Pipes Profits

HIGH in the Andes in the rocky terrain of the sure-footed llama, engineers of Lock Joint Pipe Company of East Orange, NJ completed the manufacture and installation of a 35-mile pipeline to supply water to the quarter-billion copper mining and smelting project of Southern Peru Copper Corp. In Mexico Lock Joint sells pre-stressed concrete telephone poles which fill a need created by Mexico's tree shortage. These are but two examples of the foreign interests of \$41,000,000-assets Lock Joint Pipe which last year contributed 8% to total company sales.

However, the bulk of Lock Joint business continues to come from less glamorous but solid domestic sales of concrete pressure pipe for municipal and industrial water projects which account for more than half of total volume and from concrete sewer, culvert and drainage pipe.

Lock Joint is the leading domestic

Lock Joint tests pipe strength



producer of concrete pressure pipe. Well-known to the water works and sanitation industry throughout its 55-year life, Lock Joint is a relative newcomer to Wall Street. But since the first public offering of 171,000 shares in April the number of stockholders has risen from 395 to nearly 2,000. Nonetheless Lock Joint is still virtually private. Of the 1,754,000 shares outstanding 1,583,000 are closely held. In the over-the-counter market the stock has eased from the offering price of 22½ to around 18 last week.

However there has been no slack in earnings. President Allan M Hirsh Jr expects profits "will be about \$1.50-to-1.55 a share this year" compared with the \$1.42 of 1958. "This improvement is due to increased operating efficiency and to the \$23,000,000 plant expansion and modernization program carried on during the last ten years."

This profits advance was scored despite the fact 1959 sales are estimated 8% below the 1958 volume of \$42,600,000. President Hirsh explains: "Contractors are not billed until ordered pipe is actually delivered and poor weather slowed construction work and consequently pipe deliveries early this year." Third quarter volume was up a bit but lately "the general slowdown in construction activity caused by the steel strike has had its effect." Much of this business is merely delayed and thus the Company expects to go into the new year with a "satisfactory" backlog of \$17-to-18,000,000, up some 30% from a year ago.

Also on the 1960 calendar is an

expanded research program. The company plans for a new research center in Wharton, NJ to be completed late next year. Lock Joint divides its R & D efforts into testing the materials of its products, product improvement and development of new products. The latest stockholder letter cites work in "pre-stressed concrete bridge beams, railway ties, electric transmission poles and underground storage for liquid petroleum gas."

But Lock Joint "intends to remain a pipe specialist." President Hirsh states: "Our research is aimed at broadening our base of operations in the liquids-carrying materials field. Although we are acquisition minded, we have no intention of diversifying into say, the shoe business."

He adds: "Water and sewage engineers demand a product built to the most exacting specifications. We have established a reputation in the field and * * * will continue to grow with the ever-increasing water, sanitary and industrial needs of a rapidly increasing population." Early this month Lock Joint directors backed up their belief in this growth, upped the annual dividend rate a dime to 80¢ a share.

STEEL Granite City Gains

NEXT YEAR—in a little over three weeks to be exact—the stockholders of Granite City Steel Company will address themselves to the pleasant task of voting on a 2-for-1 stock split. They are also asked to OKay a 2½-fold increase in the



Granite City steelman Veeder

amount of stock authorized (to 7,500,000 shares).

As they gather January 18 to tackle these chores, shareowners will have the comfort of a little extra in their pockets: directors declared a 60¢ dividend compared with 50¢ in previous periods.

The stock split, like most, comes after a solid climb in the stock price. Granite City common which now trades around 75 rose as high as 83½ this year, a goodly ascent from the 1959 low of 56 and a much better one from last year's low of 28½.

The rise in the stock has accurately forecast an increase in profits. In the nine months ended September Granite City boosted sales to \$119,600,000 v. \$88,700,000. It earned \$11,552,000 or \$5.39 a share through September this year and thus has already left last year's full-year total of \$4.36 far in its wake. In fact, the 1959 nine-month figure falls short of only two full-year Granite City profits—\$7.04 of 1956 and \$6.03 of 1955. Although unwilling to predict the

final 1959 tally, chairman-president Nicholas P Veeder does concede the company will set a new record this year.

Behind any earnings increase are usually a lot of hard work and new ideas and usually also some good luck. This year No 17 producer Granite City was fortunate in being the second largest (after Detroit Steel) steel producer in the nation which was not struck and thus continued to pour steel throughout the strike.

There could also be an element of fortune in Granite City's location—across the river from St Louis, in Granite City, Ill. The company is by far the largest producer of sheet steel products in the Missouri-Southern Illinois area. But Lillian B Green, executive assistant to chairman Veeder, proudly contends a good deal of the company's geographical advantage is self-made. She claims Granite City attracts companies to settle nearby—not by any active solicitation but just because steel users know a good supplier is on the spot. Examples: A O Smith, Cutler-Hammer, Blaw-Knox.

Hard work and new ideas have been the keys to Granite City's expansion program. In the last decade, headman Veeder sums, Granite City capacity has increased 140% to its present total of 1,440,000 tons a

year. By the end of 1961 capacity will be up to 1,740,000 tons a year.

Right now the company is busy replacing one of its two blast furnaces. This operation will slow production a little for the next four months but will speed it well beyond its former level thereafter. Along with this major improvement, the company is making changes in its seven steel-making open hearth furnaces to allow more use of oxygen—the coming thing in steelmaking. It is also installing a second continuous galvanizing line and a second electrolytic tin plate line.

Air Products Inc is building a \$4,000,000 oxygen generating plant near Granite City's facilities to produce 170 tons of oxygen a day, more than double the 75 tons produced daily for Granite City by Air Products at its present plant.

In its expansion move Granite City is putting special emphasis on lighter, highly fabricated products. Finished products include hot & cold rolled sheets and coils, plate, galvanized roofing and sidings, tin plate, enameled sheets and electrical sheets.

Granite City's goal for the future is also ambitious. Says steelman Veeder: "We hope to be able to maintain our postwar growth record of 9½% a year."

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CURTAIN CAPERS

It looks fragile but it isn't. This paper-thin curtain through which the lady peers is actually almost as strong as iron when sandwiched between thin metal or plastic sheets, to make doors, wall panels, floor panels, shelving or other items where "lightness-with-strength" is needed. Put out by the Marshall-Eclipse division of Bendix Aviation Corp, this new "curtain" is made from and stuck together with tough phenolic resins, similar to those used in automotive brake linings.

This airy new product is but a small portion of Marshall-Eclipse output. The Troy, NY division makes automotive and aircraft brake blocks and linings, synthetic resins plus a wide range of friction materials for clutches and brakes in the aviation, automotive, tractor, marine and industrial fields.

In turn Marshall-Eclipse is but a small segment of \$326,000,000-assets Bendix. The Detroit-headquartered firm describes itself as "the most diversified instrument maker in the US." Currently some 73% of Bendix volume goes into military items such as automatic pilots, heavy duty radar, nuclear and guided missile equipment etc. For the future, the company feels two of the areas of greatest growth lie in apparatus for forecasting and measuring weather conditions and in underwater detecting devices.

Bendix operates through some 30 domestic plants from coast to coast. It has shown growing interest in foreign business both through exports (\$19,000,000 last year) and through subsidiaries or affiliates in Canada, Britain, France, Australia and Brazil. The company also has a stake in the growing atomic energy field, since 1949 has managed and operated the AEC production facility at Kansas City, Mo which makes among other things control rod drive mechanisms to regulate the reactor's power production.

The company ended its fiscal year in September with sales an estimated 8-to-9% ahead of the \$624,000,000 tallied in fiscal 1958, a year which was scarred by setbacks in military aviation and automotive products. Fiscal 1959 profits are estimated at \$5 a share, up from \$4.18 the previous year.



This is a news and educational publication about financial and business matters. Articles are selected for their news or general interest and should not be considered a recommendation to buy or sell securities.

ACCORDING TO PLAN

Some people admire the starkness of the new Seagram Building; others prefer the Gothic air of the Woolworth Building. Some like modern split-level, picture-window houses; others favor white clapboards and green shutters in the Colonial style. Tastes in architecture, as in everything else, differ.

But all buildings, regardless of function, have one thing in common: they were built according to a plan. The architect devised a design suitable for the purpose and satisfactory to the people concerned, and the builder followed his plan.

Investors need blueprints just as builders do. Everyone who buys stocks and bonds should do so according to a plan that takes into consideration his own financial situation and objectives and the market prospects for the securities that interest him.

Devising a suitable investment program is a job for specialists, just as designing a building is a job for a professional architect. Fortunately, expert investment help is available to anyone who wants it, without charge or obligation.

If you'd like help in building a portfolio of good investments, all you have to do is tell our Research Department about your financial situation and investment objectives in a confidential letter. Research will take it from there. No fee. Their "designing" services are free.

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